

Testimony For the Record

By
Mr. Bart Garber
Tyonek Native Corporation

Joint Hearing of the United States House of Representatives
Committee on Legislative Reform
and
Committee on Small Business

Tyonek Native Corporation is the Alaska Native Claims Settlement Act village corporation for the Native community of Tyonek, Alaska. Tyonek lies on the northwest shore of the Cook Inlet, 43 miles southwest of Anchorage. Access to the village is limited to travel by air or boat – no roads lead to us. Tyonek is a Dena'ina (Tanaina) Athabascan community. We call ourselves Tebughna, which means the “Beach People.” About 400 of our 600 tribal members and corporate shareholders live outside the village in Alaska and throughout the United States.

The Tyonek Native Corporation was established in 1973 and is entitled to receive nearly 200,000 acres of land in and around Cook Inlet in the South Central region of Alaska. For over 20 years the company's business opportunities were mainly conservative, passive investments and surface leases. In 1995, after a series of shareholder meetings, board discussions, and company retreats, the Tyonek board instructed management to acquire or start actively managed companies.

When I was hired at Tyonek Native Corporation in 1995, I was the third employee. TNC owned an apartment building and a start-up IT company. Total annual operating revenues at the time were about \$ 500,000. TNC relied upon one time asset sales and resource revenues to finance its operating deficits. Ten years later, TNC's annual operating revenues are now nearly 50 million dollars with pretax profits of 1.5 million dollars. The company no longer depends upon earnings from surface leases and resource sales to balance its books.

In 2005, our manufacturing revenues of over 30 million dollars derived from 128 negotiated task orders. About 15% of the revenue derived from non-8(a) sources. That percentage is increasing on newer work. In most situations, a business case must be made for all fixed price bids. The government uses weighted criteria to determine final rates. The government usually has past prices available for many items. Particularly in our obsolescence programs, our bids represent a significant cost savings to the government over former suppliers due to our lower rates.

Tyonek Native Corporation employs nearly 300 people in seven states. Our primary lines of business are defense manufacturing and engineering services, aircraft maintenance, oil

field services, civil construction and port operations. Our CEO is an Alaska Native and the managers of our two operating divisions – the Alaska Division and the Tyonek Group-- are both Tyonek shareholders. Fifty percent of the Alaska corporate administrative staff is Tyonek shareholders. All five of the Alaska operating subsidiaries are managed or co-owned by Tyonek shareholders.

I was CEO of Tyonek Native Corporation for nine years. In May, I transitioned to the role of President of the Tyonek Group which includes all of our 8(a) operating companies. As CEO, I oversaw the creation and planning for all of our 8(a) and non-8(a) subsidiaries. At the present time, our VP of operations for our defense manufacturing subsidiaries is William Jolly, a Chippewa/Metis propulsion engineer (i.e., rocket scientist). Scott Pfeifer, whose family and children are all Alaska Natives, manages our services companies.

The CEO and I are paid \$ 200,000 per year with performance bonuses that are directly tied to profit. Management and direct labor staff share in bonus pools tied to profit projections that are recovered as part of our general and administrative expenses. Our profit performance over the years has average about 5 to 7% of gross revenues. The Company policy is to distribute 30% of after tax profits to shareholders as dividends. The balance of the profits is reinvested in our businesses. Other benefits to shareholders include:

Scholarships – The Board budgets at least \$ 12,000 in scholarships annually.

Internships – TNC started a formal internship program in 2004 and graduated our first two interns at our manufacturing plant in Huntsville during summer 2005 (one certified welder – hired by Tfab Manufacturing, one soon to be certified electrical technician, who will be hired and start college in Huntsville in the Fall).

Job Opportunities – TNC employs shareholder representatives to develop, promote and support specific shareholder hire programs.

Community Projects – TNC funds Tyonek cultural and sports programs (\$ 15,000 for cultural activities -- \$ 46,000 for secondary education program support), in addition to annual employee education benefits equaling about \$ 2,000 per employee.

Funeral benefits – Each shareholder is insured in the amount of \$ 100 per share for a death benefit.

However, the most significant benefit to shareholders is a stronger, well managed company. With the advent of the 8(a) program, TNC has vastly improved its accounting and management systems to the point that they are ISO certified. This gives us tremendous advantages in managing and negotiating business relationships throughout the company, but especially in Alaska where local revenues could not support this level of effort.

TNC has used the 8(a) program to develop distinct lines of business that can survive the program. Due to the nature of our contract work, we rarely operate in areas tread by

other small businesses. Indeed, our strategy is to compete against large business where our lower rates give us a distinct advantage and a cost savings to the government. Recent events however, have thrown us into the same pools with small business or at least given the appearance of us competing for small business opportunities. This has reduced our effectiveness as an alternative to big business while providing a platform for small business advocates to impede our marketing and, ironically, protect large businesses against our competitive proposals.

